



Mulligans Commission

Recommendation Favoring
Mulligans Bond Payoff April 2015

City Council Meeting, March 17, 2015



Agenda

- Immediate positive financial impacts
 - Interest savings
 - High rate of return
 - Reduction in city debt level
 - Free cash flow
- Cash positive advantages – today and tomorrow
- Investing in open space is good public policy
- Recommendation in favor of Resolution R2015-19

Interest Savings

- After 4/1/2015 the Mulligans bond is callable and can be paid off to **avoid all future principal and interest payments**

\$4,640,000	– payable bonds
<u>- 724,031</u>	– reserve amount
\$3,915,969	– net amount for Mulligans bond payoff

- **No additional fees** assessed, due to call provision
- As much as **\$1,653,562** in interest expense will be **saved** by South Jordan

High Rate of Return

- Discounting the interest savings to *2015 dollars*, the present value savings over the remaining life of the bond payments is **\$1,170,525**
- This computes to an internal rate of return of approximately **30%**

Decrease Debt Level, Improve Cash Flow, and Reduce Risk

Payment Date	Principal Payment	Coupon	Interest Payment	Total P+I
10/1/2015	-	-	\$ 99,868.75	\$ 99,868.75
4/1/2016	\$ 250,000	4.000%	\$ 99,868.75	\$ 349,868.75
10/1/2016	-	-	\$ 94,868.75	\$ 94,868.75
4/1/2017	\$ 260,000	4.000%	\$ 94,868.75	\$ 354,868.75
10/1/2017	-	-	\$ 89,668.75	\$ 89,668.75
4/1/2018	\$ 270,000	5.000%	\$ 89,668.75	\$ 359,668.75
10/1/2018	-	-	\$ 82,918.75	\$ 82,918.75
4/1/2019	\$ 285,000	4.000%	\$ 82,918.75	\$ 367,918.75
10/1/2019	-	-	\$ 77,218.75	\$ 77,218.75
4/1/2020	\$ 295,000	4.000%	\$ 77,218.75	\$ 372,218.75
10/1/2020	-	-	\$ 71,318.75	\$ 71,318.75
4/1/2021	\$ 310,000	4.125%	\$ 71,318.75	\$ 381,318.75
10/1/2021	-	-	\$ 64,925.00	\$ 64,925.00
4/1/2022	\$ 320,000	4.125%	\$ 64,925.00	\$ 384,925.00
10/1/2022	-	-	\$ 58,325.00	\$ 58,325.00
4/1/2023	\$ 335,000	4.250%	\$ 58,325.00	\$ 393,325.00
10/1/2023	-	-	\$ 51,206.25	\$ 51,206.25
4/1/2024	\$ 345,000	4.250%	\$ 51,206.25	\$ 396,206.25
10/1/2024	-	-	\$ 43,875.00	\$ 43,875.00
4/1/2025	\$ 360,000	4.250%	\$ 43,875.00	\$ 403,875.00
10/1/2025	-	-	\$ 36,225.00	\$ 36,225.00
4/1/2026	\$ 375,000	4.500%	\$ 36,225.00	\$ 411,225.00
10/1/2026	-	-	\$ 27,787.50	\$ 27,787.50
4/1/2027	\$ 395,000	4.500%	\$ 27,787.50	\$ 422,787.50
10/1/2027	-	-	\$ 18,900.00	\$ 18,900.00
4/1/2028	\$ 410,000	4.500%	\$ 18,900.00	\$ 428,900.00
10/1/2028	-	-	\$ 9,675.00	\$ 9,675.00
4/1/2029	\$ 430,000	4.500%	\$ 9,675.00	\$ 439,675.00
	\$ 4,640,000	-	\$ 1,653,562.50	\$ 6,293,562.50

- Decrease overall debt level for the city
- Paying off the callable bonds after 4/1/15 frees up a total of **\$6,293,563** (less interim interest due at payment date) through FY2029
- Removes risk that cash shortfalls from Mulligans to pay the bond (~\$450K annually) must be found from other City sources



Advantages – Today and Tomorrow

- Enabling Mulligans to operate cash positive frees up net operating funds for reinvestment:
 - Near term (2015-2016):
 - Facility upgrades
 - Improved service offerings
 - Expanded marketing programs
 - Future: capital improvements, to be determined, that would add to appeal and increase usage and benefit of Mulligans
- Eventually, excess Mulligans cash could:
 - Benefit South Jordan ongoing, contributing surplus cash to the city – something unique for a city recreational operation
 - Contribute to distinctive opportunities (e.g. potential arts endowment) that otherwise would not be afforded from General Fund resources

Good Public Policy

Other municipalities along the Wasatch Front have used general funds to purchase open space for:

- Open space preservation
- Public recreation (hiking, biking, horseback riding, trailheads)
- Geological assets, nature area, and riparian habitat conservation



Corner Canyon



Suncrest



Bonneville Shoreline Preserve



Kilyon Canyon

Examples: Municipal Open Space Initiatives

Municipality	Date	Area	Acreage	Funding	Purpose	Notes
Draper	2005	Corner Canyon	1,021	Bonding and grants	Open space preservation, public recreation (hiking, biking, horseback riding, trailheads)	Salt Lake County holds the permanent conservation easement on the property to prevent future Draper governments from selling the property.
Salt Lake County / Open Space Program	2006	Bonneville Shoreline Preserve	56	Open Space bond program	Trail, nature area, buffer zone between foothills and cities of Salt Lake and South Salt Lake	
Salt Lake County / Open Space Program	2010	Kilyon Canyon	265	Open Space bond program	Preserve geologic assets and old growth conifers; protect riparian habitat; public enjoyment	
Draper	2012	Suncrest	2,400	Re-allocation of capital funds budget; re-financing of other city bonds to take advantage of lower interest rates	Open space, access to trailheads in the mountains; other plans TBD	

Recommendation

- **Positively consider Resolution R2015-19** to pay-off the Mulligans bonds outstanding once callable on April 1, 2015
- Factor the nine supporting arguments in the ‘Whereas’ clauses
- Reserve the required funding as specified in SECTION 2
- Benefit from debt reduction, interest savings, and a cash-positive, self-sustaining and improved Mulligans Golf & Games

